

Message Text

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ACTION EUR-12

INFO OCT-01 AF-06 ARA-06 EA-06 NEA-09 ISO-00 CIAE-00

DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 FEA-01 ERDA-05 AID-05

CEA-01 CIEP-01 COME-00 EB-07 FPC-01 INT-05 OMB-01

SAM-01 OES-03 STR-04 TRSE-00 FRB-03 IO-10 OPIC-03

LAB-04 SIL-01 ERDE-00 /140 W
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P R 302130Z APR 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 6868

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

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C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 11091

KUWAIT PASS BAGHDAD

E.O. 11652: GDS
TAGS: ENRG, OECD
SUBJECT: IEA: GOVERNING BOARD MEETING APRIL 28-29

1. PRODUCER-CONSUMER RELATIONS:

GB REACHED ESSENTIAL AGREEMENT ON POST-MORTEM
EVALUATION OF PREPCON AND APPROPRIATE POSTURE FOR IEA
TO TAKE VIS-A-VIS PRODUCERS IN IMMEDIATE PERIOD AHEAD.
DISCUSSION WAS CHARACTERIZED BY REGRET AT PREPCON'S
OUTCOME BUT GENERAL SATISFACTION WITH CONSUMER COUNTRY
SOLIDARITY AT MEETING, AND AGREEMENT THAT AGENCY
MEMBERS NOW HAVE MUCH MORE REALISTIC ASSESSMENT OF WHAT
CAN BE EXPECTED FROM PRODUCER/CONSUMER DIALOGUE.
PREDOMINANT VIEW EXPRESSED WAS THAT FAILURE AT KLEBER
AND OBVIOUS CONFIDENCE OF PRODUCERS IN THEIR STRENGTH
UNDERScore MAGNITUDE AND PROBABLE DURATION OF CHALLENGE
TO INDUSTRIALIZED COUNTRIES POSED BY CARTEL.

2. GROUP AGREED THAT, AS RESULT OF PREPCON, LINK
BETWEEN RAW MATERIALS AND ENERGY HAS BEEN CLEARLY
FORGED BY OPEC/LDC'S AS POLITICAL FACT OF LIFE.
HOWEVER, ALL AGREED THAT A SINGLE CONFERENCE FOCUSING
ON NEW INTERNATIONAL ECONOMIC ORDER IS NOT IN INTERESTS
OF INDUSTRIALIZED COUNTRIES. MANY ARGUED STRONGLY THAT
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VERY CAREFUL CONSUMER COUNTRY PREPARATIONS WILL BE
NECESSARY ON ALL POSSIBLE AGENDA ISSUES WHICH MIGHT BE
RAISED BY OTHER SIDE BEFORE THERE CAN BE ANY RESUMPTION
OF FORMAL DIALOGUE. WITH EXCEPTION OF SWEDES, ITALIANS
AND JAPANESE, GROUP VIEW WAS THAT THERE NO MERIT IN
ATTEMPTING REOPEN MULTILATERAL DIALOGUE IN NEAR FUTURE,
IN VIEW OF STRONG, AND RELAXED, ATTITUDE OF PRODUCERS.

3. THERE WAS GENERAL AGREEMENT WITH ASSESSMENT OF U.S., UK, FRG AND OTHERS THAT IT NOW MORE IMPORTANT THAN EVER THAT IEA NOT LOSE MOMENTUM, AND THAT AGENCY WORK PROGRAM IN LONG TERM AND EMERGENCY AREAS SHOULD PRESS AHEAD WITH AS MUCH VIGOR AS EVER. ALMOST ALL AGREED THAT IMPLEMENTATION OF AN EFFECTIVE SUBSTANTIVE PROGRAM IS A SINE QUA NON FOR REESTABLISHMENT OF ANY PRODUCTIVE DIALOGUE WITH OPEC/LDC'S.

4. MOST OF GROUP ALSO AGREED WITH ASSESSMENT OF CHAIRMAN DAVIGNON (CHAIRMAN'S CONCLUSIONS PAPER WILL BE SENT SEPTEL) THAT INDUSTRIALIZED CONSUMER COUNTRIES NEED DEVELOP NEW TACTIC IN ORDER TO MOVE OFF DEFENSIVE AND WIN BACK SOME OF INITIATIVE IN DEALING WITH PRODUCERS AND LDC'S. ONE POSSIBLE APPROACH WOULD BE TO DEFER ANY ATTEMPT TO RENEW DIALOGUE ON ENERGY BUT AT SAME TIME ENCOURAGE SHIFT IN POSITION BY LDC'S ON LINKAGE ISSUE BY BEGINNING ACTIVE DISCUSSION OF RAW MATERIALS IN APPROPRIATE OTHER FORA (NOT NECESSARILY RESTRICTED TO EXISTING FORA). FIRST EFFORT IN THIS REGARD WOULD BE TO DISCUSS RAW MATERIALS AT OECD MINISTERIAL, PUTTING FORWARD THOSE CONCEPTS THAT ARE IN INDUSTRIALIZED COUNTRIES INTERESTS AND PROPOSING APPROPRIATE FORA FOR THEIR DISCUSSION. THIS WOULD BE DONE BEARING IN MIND THAT SUCH GESTURE IN ITSELF WOULD NOT SUFFICE, BUT THAT IT MIGHT BEGIN PROCESS TOWARDS

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P R 302141Z APR 75
FM USMISSION OECD PARIS
TO SECSTATE WASH DC PRIORITY 6869
INFO AMEMBASSY ABU DHABI
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SEIZING BACK INITIATIVE.

5. IEA MINISTERIAL: IN LINE WITH ABOVE, IT WAS AGREED

THAT COORDINATED APPROACH TO IEA AND OECD MINISTERIALS CLEARLY NEEDED, SINCE LATTER MIGHT DISCUSS RAW MATERIALS AND BOTH WOULD BE DISCUSSING ENERGY. THE TWO COMMUNIQUEES OBVIOUSLY MUST BE COORDINATED. TO ENSURE PROPER COORDINATION, GB SUGGESTED THAT OECD EXECUTIVE COMMITTEE IN SPECIAL SESSION (XCSS) SCHEDULED FOR MAY 6-7 MIGHT DISCUSS THESE INTERRELATING QUESTIONS AND THAT KEY GB REPS MIGHT ATTEND XCSS MEETING TO CONSULT AS NECESSARY AND TO ENSURE THAT DECLARATIONS OR COMMUNIQUEES ARE COMPLEMENTARY. IEA DECLARATION WOULD THEN BE REVIEWED BY NEXT GB MEETING, NOW SCHEDULED FOR MAY 20. IEA SECRETARIAT WOULD CIRCULATE, IN ADVANCE OF MAY 7 XCSS MEETING, DRAFT IEA DOCUMENTS (DECLARATION, RECAPITULATION OF AGENCY ACTIVITIES TO DATE), TO BE RELEASED AT TIME OF MINISTERIAL MEETING. GB AGREED ON NEED FOR SHORT, BUSINESS-LIKE IEA MINISTERIAL THAT WILL GIVE POLITICAL MOMENTUM TO AGENCY'S PROGRAMS AND PROVIDE SOME GENERAL GUIDELINES FOR FUTURE IEA STANCE ON PRODUCER/CONSUMER RELATIONS. IN LINE WITH THIS OBJECTIVE, SESSION WILL BE RESTRICTED WITH INDIVIDUAL COUNTRY ATTENDANCE LIMITED TO MINISTERS PLUS FOUR

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OFFICIALS. AGENDA FOR MINISTERIAL TENTATIVELY AGREED AS FOLLOWS:

- (1) ACTIVITIES AND FUTURE WORK OF THE AGENCY
 - REPORT BY THE EXECUTIVE DIRECTOR, PRIMARILY ON LONG-TERM COOPERATION ISSUES
 - STATEMENT BY THE CHAIRMAN OF THE GOVERNING BOARD TO INTRODUCE THE REPORT
- (2) RELATIONS WITH PRODUCER AND WITH OTHER CONSUMER COUNTRIES
- (3) COMMUNIQUE

6. SOM: (DISCUSSIONS ON OIL MARKETS ISSUES REPORTED SEPTEL).

7. FOLLOWING ARE BRIEF SUMMARIES OF REMARKS BY SELECTED COUNTRIES ON PRODUCER/CONSUMER RELATIONS ISSUE.

A) US: AT THE PREPCON, OPEC REPS SAID ON SEVERAL OCCASIONS OPEC DOES NOT NEED DIALOGUE WITH CONSUMERS IN ORDER TO SET OIL PRICES, AND IF CONSUMERS WANT TALK ABOUT SETTING OIL PRICES THEY MUST ALLOW OPEC TO PARTICIPATE IN SETTING OF OTHER COMMODITY PRICES. THUS, OPEC BELIEVES ITS MARKET POSITION TO BE SO STRONG THAT IT CAN INSIST ON SUBSTANTIAL CONSUMER CONCESSIONS BEFORE IT WILL EVEN AGREE TO TALK ABOUT ENERGY PRICES, LET ALONE REDUCING THEM. SEVERAL CONCLUSIONS CAN BE DRAWN FROM THIS:

- 1) UNTIL WE ACHIEVE IMPLEMENTATION OF EFFECTIVE

CONSUMER PROGRAMS ON CONSERVATION, ACCELERATED DEVELOPMENT AND R&D, WE WILL NOT BE ABLE TO SHIFT MARKET BALANCE TOWARD MORE STABLE PRODUCER/CONSUMER EQUILIBRIUM. THUS, IEA WORK PROGRAM IS MORE URGENT THAN EVER.

2) PRESENT DISEQUILIBRIUM SITUATION HAS EXTRA-ORDINARY POLITICAL IMPLICATIONS FOR THE INDUSTRIALIZED WORLD AND WE CANNOT BE COMPLACENT ABOUT COLLAPSE OF THE DIALOGUE. WE CANNOT SIMPLY WAIT FOR OTHER SIDE TO COME TO US BUT MUST INSTEAD ACTIVELY CONSIDER WAYS OF RELAUNCHING P/C DISCUSSIONS. THIS DOESN'T MEAN, HOWEVER, THAT WE SHOULD BLINDLY RUSH AHEAD TO REOPEN DIALOGUE.

3) FRENCH INITIATIVE WAS THE RIGHT ONE IN ITS
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TIME AND PLACE, AND A FAILURE IN EARLY APRIL DOESN'T MEAN WE SHOULD DROP THE WHOLE IDEA. BUT WE NEED ALSO NOW TO CONSIDER ALTERNATIVE FORMULAS. IEA MINISTERIAL MEETING IS PROPER OCCASION TO CONSIDER POSSIBLE NEW APPROACHES IN THIS REGARD.

B) FRG: NO NEW INITIATIVES ARE ADVISABLE AT PRESENT.

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P R 302141Z APR 75
FM USMISSION OECD PARIS
TO SECSTATE WASH DC PRIORITY 6870
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ENOUGH SCOPE HAS BEEN LEFT FOR DEVELOPMENT OF SUCCESSFUL
NEGOTIATIONS IN FUTURE. WE CANNOT EXPECT ANY SUDDEN
SHIFT IN THE OPEC/LDC POSITION, HOWEVER. THUS, IEA

SHOULD MAINTAIN ITS WORK MOMENTUM IN ORDER TO DEVELOP SOUND BASIS FOR FUTURE DIALOGUE. FRG HAS NOT YET DECIDED WHERE DISCUSSIONS ON RAW MATERIALS SHOULD TAKE PLACE (I.E. WHETHER IN A PRODUCER/CONSUMER CONFERENCE OR IN OTHER FORA). IT WILL DECIDE ON THIS BEFORE MAY 27 MINISTERIAL MEETING.

C) UK: DIALOGUE SHOULD NOT BE RESUMED UNTIL AFTER A REASONABLE PAUSE, IN ORDER TO ALLOW OTHER INITIATIVES ON RAW MATERIALS TO BEAR FRUIT. IN THE INTERIM WE SHOULD EXPLOIT AD HOC BILATERAL CONTACTS WITHIN AN OVERALL PATTERN OF IEA COUNTRY OBJECTIVES. SIMILARLY, WE SHOULD DEVELOP SECRETARIAT-TO-SECRETARIAT CONTACTS AT A TECHNICAL LEVEL. STANDING GROUP ON PRODUCER/CONSUMER RELATIONS SHOULD NOT BE REACTIVATED UNTIL THERE IS A CLEAR NEED FOR IT.

D) JAPAN: PREPCON WAS USEFUL AND DEEPENED UNDERSTANDING OF POSITIONS. IEA NEEDS TO AVOID A CONFRONTATIONAL IMAGE, HOWEVER, AND DIALOGUE SHOULD THEREFORE BE RESUMED AS SOON AS POSSIBLE. THIS EFFORT SHOULD NOT BE NEGLECTED WHILE WE ARE TRYING TO DEVELOP CONSUMER SOLIDARITY IN OTHER AREAS. REVIEW OF IEA
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POSITION ON THESE ISSUES SHOULD BE UNDERTAKEN IN THE SPC.

D) SWEDEN: THE DIALOGUE MUST BE RESUMED BUT NOT UNTIL AFTER THE UNGA SPECIAL SESSION. IT SHOULD BE MORE CAREFULLY PREPARED THE NEXT TIME. BILATERAL CONTACTS AND UNSS SHOULD BE USED FOR THIS. SECRETARIAT-TO-SECRETARIAT CONTACTS ALSO ARE NECESSARY. HOWEVER, THE WORK PROGRAM IN IEA IS TOO INTENSE. A LESS HECTIC PACE IS NECESSARY.

E) CANADA: PRODUCERS ARE RELAXED. OUR STANCE SHOULD BE RECEPTIVE BUT NOT AGGRESSIVE IN PURSUING DIALOGUE. INITIATIVE MUST COME FROM PRODUCERS. WE NEED PAUSE FOR REFLECTION WHILE WE DEVELOP OUR CONSUMER WORK PROGRAM TO REDUCE DEPENDENCE ON IMPORTED OIL. SEE OPPORTUNITIES FOR IEA/OPEC CONTACTS.
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